

U.S. Debt Clock Surges Past \$18 Trillion

by [WND](#) | DECEMBER 2, 2014



The U.S. debt clock has swept past \$18 trillion without so much as a flicker of hesitation.

But what is \$18 trillion?

How about figuring it in exotic supercars, like those 253-mph, 1,001-horsepower (and 8 miles per gallon) \$1.9 million Bugatti Veyrons?

For the national debt, you get just a handful short of 9.5 million of the cars.

How about air-hours for a major jet like Air Force One, assuming operating costs of about \$275,000 per hour?

You'd have to rack up 65 million hours of flight, give or take.

And at those burger joints with the tiny \$1 burger?

Well, a big pile.

At [ZeroHedge.com](#), commentator Tyler Durden noted, "Last week, total U.S. debt was a meager \$17,963,753,617,957.26."

"Two days later, as updated today, on Black Friday, total outstanding U.S. public debt just hit a new historic level which probably would be better associated with a red color: as of the last work day of November, total U.S. public debt just surpassed \$18 trillion for the first time, or \$18,005,549,328,561.45 to be precise, of which debt held by the public rose to \$12,922,681,725,432.94, an increase of \$32 billion in one day."

"It also means that total U.S. debt has increased by 70 percent under Obama, from \$10.625 trillion on January 21, 2009 to \$18.005 trillion most recently."

In short, the federal government has borrowed, and spent, nearly \$7.5 trillion more since President Obama took office than it has collected in taxes.

[What do YOU think? Why does government debt keep rising? Sound off in today's WND poll](#)

Debt reduction is one of the issues on which GOP leaders have said they want to take action when they

take control of the Senate in January. Others are Obamacare and federal regulations.

Apart from a collective gasp, American consumers do have an option to actually do something because of their concern.

A [No More Red Ink](#) campaign is available.

Signing up allows a constituent to send individually addressed letters in red ink to Republicans in the House for only \$29.99.

The letters go to the House members because they are the ones responsible for writing the nation's spending bills.

Earlier, an identical campaign sent more than 1 million red letters to the House Republicans. However, only 22 of them voted against hiking the debt limit.

In 2010, a similar campaign presented members of the House and Senate with more than 9 million "pink slips" warning them of what would come in the next election if they didn't change their ways.

'Central Bankers' Say The Darndest Things – Bill Dudley Edition

by [ZERO HEDGE](#) | DECEMBER 2, 2014

Dudley's overall message is that the US economy is doing great



[Via Raul Ilargi Meijer's The Automatic Earth blog,](#)

First, in the next episode of Kids Say The Darndest Things – oh wait, that was Cosby .. -, we have New York Fed head (rhymes with methhead) Bill Dudley. **Dudley's overall message is that the US economy is doing great, but it's not actually doing great, and therefore a rate hike would be too early.** Or something. Bloomberg has the prepared text of a speech he held today, and it's hilarious. Look:

Fed's Dudley Says Oil Price Decline Will Strengthen US Recovery

The sharp drop in oil prices will help boost consumer spending and underpin an economy that still requires patience before interest rates are increased, Federal Reserve Bank of New York President William C. Dudley said. "It is still premature to begin to raise interest rates," Dudley said in the prepared text of a speech today at Bernard M. Baruch College in New York.

"When interest rates are at the zero lower bound, the risks of tightening a bit too early are likely to be considerably greater than the risks of tightening a bit too late." Dudley expressed confidence that, although the U.S. economic recovery has shown signs in recent years of accelerating, only to slow again, "the likelihood of another disappointment has lessened."

How is this possible? *'The sharp drop in oil prices will help boost consumer spending'?* I don't understand that: **Dudley is talking about money that would otherwise also have been spent, only on gas. There is no additional money, so where's the boost?**

*Investors' expectations for a Fed rate increase in mid-2015 are reasonable, he said, and the pace at which the central bank tightens will depend partly on financial-market conditions and the economy's performance. Crude oil suffered its biggest drop in three years after OPEC signaled last week it will not reduce production. **Lower energy costs "will lead to a significant rise in real income growth** for households and should be **a strong spur to consumer spending,**" Dudley said.*

The drop will especially help lower-income households, who are more likely to spend and not save the extra real income, he said.

Extra income? Real extra income, as opposed to unreal? How silly are we planning to make it, sir? Never mind, the fun thing is that Dudley defeats his own point. By saying that lower-income households are more likely to spend and not save the 'extra real income', he also says that others won't spend it, and that of course means that the net effect on consumer spending will be down, not up.

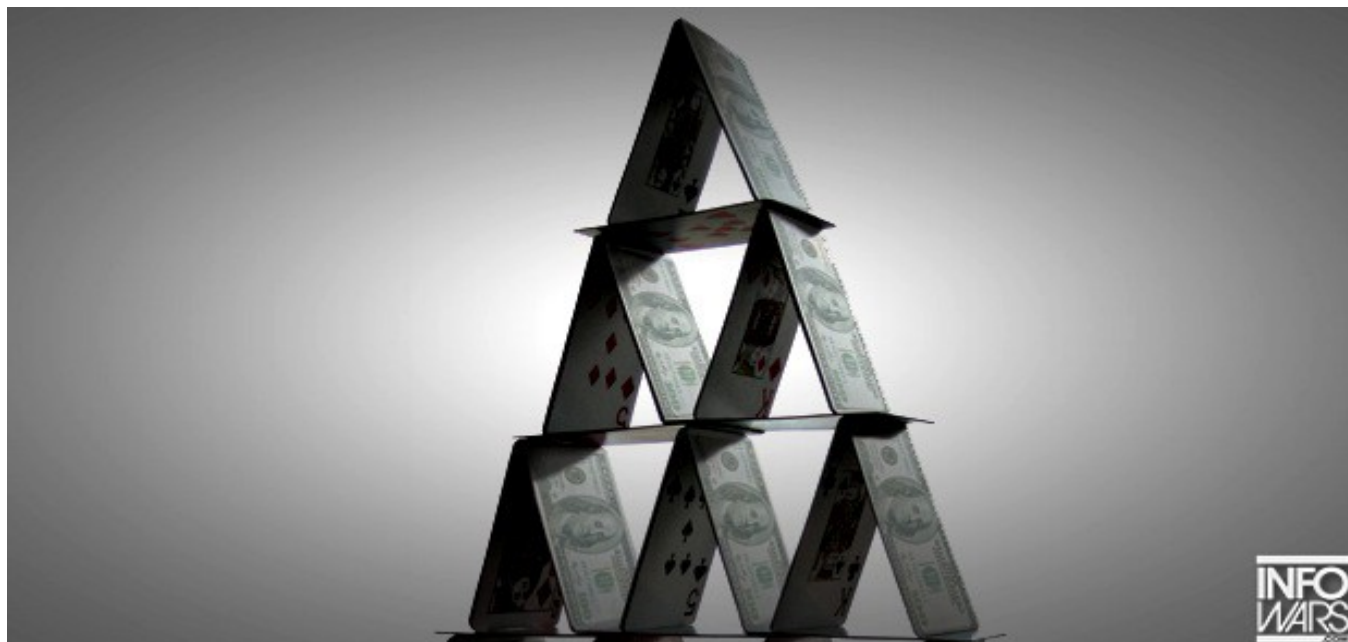
He had another zinger, that the whole finance blogosphere will have a good laugh at:

*[...] He also tried to disabuse investors of the notion that the Fed would, in times of sharp equity declines, ease monetary conditions, an idea known as the "Fed put." "The expectation of such a put is dangerous because if investors believe it exists they will view the equity market as less risky," Dudley said. That could cause investors to push equity markets higher, contributing to a bubble, he said. **"Let me be clear, there is no Fed equity market put,"** he said.*

That's in the category: 'Read my lips', 'Mission Accomplished' and 'I did not have sex with that woman.' I remain convinced that they'll move rates up, and patsies like Dudley are being sent out to sow the seeds of confusion. Apart from that, this is just complete and bizarre nonsense. **And that comes from someone with a very high post in the American financial world. At least a bit scary.**

U.S. Economy Extremely Vulnerable After Fed QE

by **BRENDAN BROWN** | MISES.ORG | NOVEMBER 19, 2014



Fed QE has weakened further the defenses of the US against the disease of goods-and-services inflation. The present global plague of asset price inflation — with its origins in Federal Reserve quantitative easing policies and featuring much irrational exuberance — is transitioning into a new phase.

Some optimistic commentators suggest a benign and painless end to the plague lies ahead. They cite the skill of the Federal Reserve in “ending QE.” These optimists even suggest that meanwhile, controlled injections of new viruses of asset price inflation by the Japanese and European central banks could have a good outcome, and this justifies the risks of the procedure. None of this optimism is justified by the evidence, nor by the known pathology of asset price inflation.

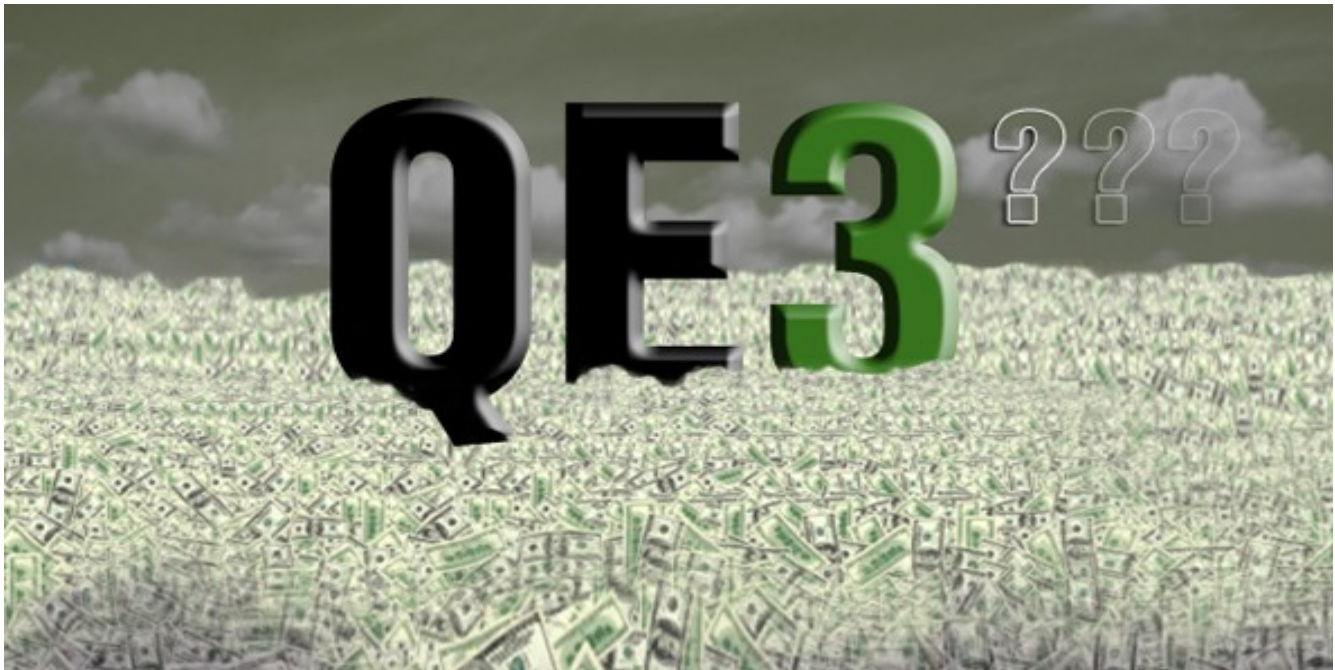
What Was Popular Then

At the start, the plague was largely limited to commodities and emerging-economy asset markets, as the Obama Fed in 2010–11 drove the dollar downward with its launches of QE1 and QE2. The big speculative stories at the time — that investors chased — were: the Chinese mega credit-fueled boom, perpetual high growth in the emerging market economies compared to long-run stagnation in the advanced economies, and the shrinking long-run availability of key commodities, especially oil. Carry trades in the emerging market and the commodity currencies thrived.

Then, as the Draghi ECB launched its campaign to “save the euro” and Japan PM Abe embarked on his “three-arrow strategy” (QE, public spending, and reform) to bring about economic renaissance, the asset price inflation spread to Japanese equities, European equities, and once weak European “periphery” debt. Alongside, the big stories of US shale gas and Silicon Valley captivated investors. More generally, high yield corporate debt markets attracted massive inflows of funds from global yield-hungry investors.

Not Looking So Good Now

Now the areas of global markets which were infected early are recording steep falls in speculative



temperature. These include commodities, emerging market currencies, and commodity currencies. The US dollar has been rebounding as the Abe Bank of Japan explodes yet another QE time-bomb, and speculation is rampant that the Merkel-Draghi ECB will soon announce its own monetary experiment. One can find in previous episodes of global asset price inflation (always with its origin in the Federal Reserve) the same pattern of speculative temperatures falling in some old areas of infection even as they rise in newer areas.

For example in the great asset price inflation of the mid and late 1920s the Berlin stock market bubble burst already in 1927, the Florida real estate bubble burst in the same year, and the US real estate market peaked in the following year — all whilst the US equity market continued to inflate. A strong dollar is frequently a feature of this transitioning process as the Federal Reserve begins to reverse its policies of exceptional ease. Currency losses realized by dollar borrowers outside the US can become at such times an element in an unfolding credit crisis.

The Next Phase Begins

The risks of credit defaults exacerbated by present or future currency falls are now looming large in Russia, Brazil, Turkey, and China. The potential crash in the Chinese currency is one of the less talked about subjects. Yet one only has to consider the massive seemingly permanent capital flight from China — financed so far by huge credit inflows into that country as the world chases high yields there — to realize how dramatic could be the turnaround.

Even so, how can we say that US monetary policy has tightened when the Fed is still pinning short-term rates down at virtually zero, 10-year Treasury yields are at 2.35 percent and the size of the Federal Reserve balance sheet (with the main liability being monetary base) is at 25 percent of GDP (compared to a normal level of around 8 percent)? Well, first there has been a tightening — in relative terms — compared to actual monetary prospects in Europe and Japan. And second, the neutral level of nominal long-term interest rates has most likely been falling, meaning that the negative gap between market and neutral long-term rates has narrowed since spring 2013. (That was the Emperor's new clothes moment, when the Fed's power to hold 10-year rates down at around 1.5 percent was exposed as non-existent.)

In particular, inflation expectations have been falling, soothed in part by the stronger dollar and the fall in commodity prices. And the huge amount of monetary uncertainty, regarding specifically the final phase of the asset price inflation disease when speculative temperatures drop across the board and



recession sets in, curbs perceived investment opportunity. Actual investment opportunity is plausibly shrinking across much of the emerging market world especially in bloated real estate and consumer credit sectors. Low long-term interest rates are a — at first glance — paradoxical symptom of the present asset price inflation and its progression toward the final deadly phase.

Where's the Inflation?

Why have inflation expectations been falling so late in the US business cycle expansion and after so many years of Fed “money printing”? The answer is partly that money printing so far has been quasi rather than the real thing. High powered money is only high powered (in terms of being the proverbial hot potato which individuals and businesses are anxious to avoid holding in excess) when the zero interest rate on monetary base contrasts with substantially positive nominal interest rates on short-maturity bills. This has not been the case in this cycle.

Goods-and-services price inflation emerges in principle when market rates are below neutral across the maturity spectrum and for an extended period of time. The Fed “achieved” this most likely in the long-maturity markets through 2010–12 but the main influence was on global asset price inflation. In goods and services markets there have been powerful real forces downward on prices resulting from profound shifts in the labor market induced by the distinct nature of present technological change.

Yes, Fed QE has weakened further the defenses of the US against the disease of goods-and-services inflation in the next cycle and beyond. The risks of manipulated rates falling below the neutral level when that eventually rises have increased substantially. But understandably for now long-term interest rate markets and business decision makers are focused on the end phase of the asset price inflation disease in the present cycle rather than what might happen next time round.

Fiat Empire: Why The Federal Reserve Violates The U.S. Constitution **VIDEO BELOW**

<http://www.youtube.com/watch?v=5K41O2QfpjA>

US Debt Crisis Explained **VIDEO BELOW**

<https://www.youtube.com/watch?v=Jjv-MtGpj2U>

The History of The Federal Reserve a Century of Enslavement **VIDEO BELOW**

<http://www.youtube.com/watch?v=5lJeemTQ7Vk>

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